

## Message Text

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PAGE 01 JAKART 00349 071148Z

ACTION EB-07

INFO OCT-01 AF-08 ARA-06 EUR-12 EA-07 NEA-10 ISO-00 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

FPC-01 H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01

PM-04 USIA-06 OES-06 SP-02 SS-15 STR-04 TRSE-00

ACDA-07 FRB-03 IO-13 OPIC-03 LAB-04 SIL-01 AGRE-00

/155 W

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R 070959Z JAN 77

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 8607

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

USINT BAGHDAD

AMEMBASSY BANGKOK

AMEMBASSY CARACAS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY PARIS

AMEMBASSY QUITO

AMMBASSY SINGAPORE 5385

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

AMCONSUL MEDAN

AMCONSUL SURABAYA

AMEMBASSY TOKYO

USMISSIONOECD PARIS

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PAGE 02 JAKART 00349 071148Z

PARIS ALSO FOR OECD

E.O. 11652: N/A

TAGS: ENRG, ID

SUBJECT: PERTAMINA PRESIDENT COMMENTS ON OPEC AND ON DISCUSSIONS WITH  
PRODUCTION-SHARING CONTRACTORS

REF: JAKARTA 00144

1. SUMMARY: EMBOFFS CALLED ON PERTAMINA PRESIDENT HARYONO JANUARY 5 TO DISCUSS NEW INDONESIAN OIL PRICES. ENSUING CONVERSATION COVERED OPEC, STATUS OF OIL TALKS WITH COMPANIES, AND ENERGY POLICIES OF NEW CARTER ADMINISTRATION. END SUMMARY.

2. GENERAL HARYONO OPENED CONVERSATION BY REFERRING TO OPEC. LIKE MINES MINISTER SADLI (REFTTEL), HE STRESSED THAT INDONESIA HAD FAVORED MODERATE PRICE HIKE AT DOHA. UNLIKE MANY OTHER OPEC MEMBERS, HE SAID IT WAS MATTER OF "LIFE AND DEATH" THAT GOI ADOPT COMPETITIVE PRICES FOR ITS OIL IN ORDER TO MAINTAIN CRUDE SALES IN FOREIGN MARKETS. HARYONO SEEMED CONFIDENT THAT NEW PRICE FOR INDONESIA'S KEY CRUDE--MINAS, \$13.55, WAS COMPETITIVE. HE EMPHASIZED THAT NEW PRICE WAS EVEN ABOUT 10CENT LOWER THAN PRICE WHICH CALTEX HAD RECOMMENDED TO GOI.

3. IN RESPONSE TO OUR QUESTION, HARYONO SAID HE DID NOT ANTICIPATE MAKING ANY ADJUSTMENTS TO CRUDE PRICES BETWEEN NOW AND JULY. HE ADMITTED THAT MARKET FORCES, HOWEVER, WOULD BE FINAL DETERMINANT. IT WAS POSSIBLE THAT INDONESIA WOULD ADJUST MINAS AND OTHER CRUDES UPWARD BY 60CENT/BARREL IN JULY. HE MADE IT CLEAR, THOUGH, SUCH AN INCREASE WOULD NOT BE AUTOMATIC.

4. PERTAMINA FELT THAT ITS MARKET POSITION IN JAPAN WOULD REMAIN STABLE AND MIGHT EVEN SHOW SOME IMPROVEMENT. NEGOTIATIONS WITH NEW FUKUDA GOVERNMENT WERE CON-

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PAGE 03 JAKARTA 00349 071148Z

TINUING IN EFFORT TO LINE UP ADDITIONAL CRUDE SALES. GEN. HARYONO DID NOT SEEM OVERLY WORRIED BY POSSIBLE CHINESE COMPETITION. WITH US MARKET, HARYONO THOUGHT INDONESIA WOULD HOLD ITS OWN EVEN IF ALASKAN OIL SHOULD BE SWAPPED WITH JAPAN. HE POINTED TO RECENT CALIFORNIA STATE LEGISLATURE ACTIONS RESTRICTING HIGH SULFUR CONTENT IMPORTS AND LACK OF DESULFURIZING REFINING CAPACITY AMONG WEST COAST REFINERS AS FACTORS PERMITTING CONTINUED FLOW OF INDONESIAN CRUDE. PERTAMINA, HE SAID, WAS ALSO SEEKING MARKETS ON EAST COAST AND HE WONDERED IF INDONESIAN CRUDES MIGHT BE COMPETITIVE VIS-A-VIS "TEN PERCENTERS" SUCH AS LIBYA OR NIGERIA. HARYONO INDICATED THAT PERTA OIL WOULD BE RETAINED AS PERTAMINA MARKETING AGENT FOR BULK OF US DEALS.

5. HARYONO INDICATED THAT ONE AREA OF CONCERN WAS OTHER ASIAN MARKETS SUCH AS TAIWAN AND PHILIPPINES. PERTAMINA WAS ACTIVELY SEEKING TO EXPAND SALES IN THIS REGION. HE INFORMED US THAT CRUDE DEAL WITH AUSTRALIA

WAS ON VERGE OF BEING CONCLUDED.

6. EMBOFFS TOOK ADVANTAGE OF MEETING TO RAISE SUBJECT OF PERTAMINA DISCUSSIONS WITH COMPANIES ON PRODUCTION-SHARING TERMS AND IRS RULING. HARYONO NOTED THAT THERE HAD NOT BEEN MUCH PROGRESS OWING TO PREOCCUPATION WITH PRICING QUESTIONS. INCENTIVES ISSUE HAD NOT YET BEEN ADDRESSED IN GREAT DETAIL. PERTAMINA GIVING THOUGHT TO NEW FORM OF "LENIENCIES" (READ INCENTIVES) AND HARYONO SAID HE WAS CONSIDERING STARTING AFRESH WITH COMPANIES LATER THIS MONTH TO DISCUSS THIS MATTER. HE ACKNOWLEDGED THAT QUESTION OF CRUDE ENTITLEMENTS HAD BEEN SETTLED. (COMPANIES COULD HAVE ACCESS TO 35 PERCENT SHARE IN OIL AND PAY DIFFERENCES BETWEEN 35-15 PERCENT SHARE IN CASH.) GAS PROJECTS WOULD REMAIN ON 65-35 PERCENT BASIS. HE SEEMED CONVINCED SOMETHING HAD TO BE DONE TO IMPROVE "INVESTMENT CLIMATE" AND LIMITED OFFICIAL USE

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PAGE 04 JAKART 00349 071148Z

GAVE IMPRESSION HE WAS PREPARED TO TAKE THIS UP WITH HIS COLLEAGUES IN GOI. ON IRS RULING, HARYONO SAID HE HAD LITTLE NEWS EXCEPT THAT PERTAMINA AND MINFIN STILL SQUABBLING OVER TECHNICAL ISSUE OF WHAT CONSTITUTES PROPER TAX RECEIPT.

7. HARYONO ALSO EXPRESSED MUCH INTEREST IN OBTAINING OUR VIEWS ON ENERGY POLICIES OF NEW ADMINISTRATION. HE SEEMED PARTICULARLY EAGER TO LEARN ABOUT VIEWS AND ROLE OF MR. SCHLESINGER IN NEW ADMINISTRATION. OF PRIMARY CONCERN TO PERTAMINA WAS NEW ADMINISTRATION'S STANCE ON IMPORTS OF BOTH OIL AND LNG. NEWSOM

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## Message Attributes

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